To: Merusi, J L., Scott, Theresa, 1244 - New York Chain (KLEINP), Callaghan, Stephen W., Young, Mark, Kane, R F.
From: Mallardi, J
Posted: 2/8/98 7:53
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Subject: CHAIN

HELLO

FOR INFORMATION, BUCKLEY GAS MARKETERS INC. (CID# 5464-00-00) HAS BEEN PURCHASED BY ALLIANCE ENERGY INC. (CID#2416-00-00) AFFECTIVE JANUARY 23RD 1998. ALLIANCE ENERGY HEADQUARTERS IS LOCATED IN BRANFORD CT. (BOSTON REGION). I INFORMED THERESA SCOTT OF THIS, AND SHE REQUESTED IN WRITING THE HISTORY OF THE CHAIN TO DETERMINE WHO WOULD HANDLE THIS ACCOUNT IN THE FUTURE. STEVE CALLAGHAN AND MYSELF MET WITH MARC DAGESSE (ORIGINAL BUYER FROM BUCK STOPS. NOW WITH ALLIANCE) AND PAT DILAN ALSO A BUYER FROM ALLIANCE ON FRIDAY FEBRUARY 6TH, 1998 TO DETERMINE WHAT ALLIANCE ENERGY COMMITMENT TO THE CATEGORY WOULD BE. FOLLOWING IS THE HISTORY OF BUCKLEY GAS AND WHAT WE DISCOVERED REGARDING ALLIANCE ENERGY COMMITMENT TO THE CATEGORY.

I GAINED RESPONSIBILITY FOR BUCKLEY GAS IN AUGUST OF 1997.
BUCKLEY GAS WAS A 10 STORE GAS CONVENIENCE CHAIN WITH AVERAGE INDUSTRY SALES OF ABOUT 230 CARTONS PER WEEK. RENEGOTIATED PARTNERS CONTRACTS WHICH WERE IMPLEMENTED DURING NOVEMBER OF 1997 IN 5 LOCATIONS. IN THE FIVE PARTNER LOCATIONS RJR SOM IS ABOUT 15%. UNFORTUNATELY RJR SOM IN THE 5 EXCLUSIVE LOCATIONS IS ABOUT 12%. MONTHLY PROMOTIONS WERE DEVELOPED FOR BOTH PLAN A AND B PERIODS FOR THE 5 PARTNER LOCATION, AND ARE SCHEDULED THROUGH THE FIRST QUARTER 1998. MARC DAGESSE USED MATCHING ACCRUAL MONEY TO INCREASE DISCOUNT PROMOTIONS.

ALLIANCE ENERGY HAS 6 CORPORATE LOCATIONS (CONTRACTS ECT. ARE UNCERTAIN AT THIS TIME, ALL LOCATIONS ARE NOT INCLUDED IN CHAIN GROUP). AFTER PURCHASING BUCKLEY GAS ALLIANCE ENERGY HAS 16 CORPORATE GAS CONVENIENCE LOCATION.. THEY ARE PRESENTLY BUILDING 2 NEW LOCATIONS IN RHODE ISLAND, SCHEDULED TO OPEN IN THE SPRING OF 1998. PAT DILAN MENTIONED THEY ARE PRESENTLY NEGOTIATING TO PURCHASE 30 MOBIL LOCATIONS IN MASSACHUSETTS WITH THE MAJORITY BEING CORPORATE LOCATIONS. WITH EVEN FUTURE PLANS FOR GROWTH BY OCCURRING OTHER SMALL COMPANIES.

DURING OUR DISCUSSION, IT WAS CLEAR TO ME THAT BOTH PAT DILAN AND MARC DAGESSE UNDERSTANDS HOW IMPORTANT AND PROFITABLE THE CIGARETTE CATEGORY IS. THEY ARE INTERESTED IN CO-EXISTENCE MERCHANDISING FOR ALL PRESENT AND FUTURE LOCATIONS, WHICH WOULD INCLUDE 3 COMPANIES WHERE POSSIBLE (RJR, PM, AND LORILLARD). THEY DISCUSSED USING AGGRESSIVE PRICING STRATEGIES, AND MAKING FINANCIAL COMMITMENTS WHEN AND IF NEEDED IN A NEW WORLD ENVIRONMENT. THEY FEEL THERE WILL BE AN OPPORTUNITY TO GROW THEIR BUSINESS AT THE EXPENSE OF THEIR COMPETITION.

OVERALL I FEEL THIS WILL BE AN A ACCOUNT, WITH TWO BUYERS THAT ARE KNOWLEDGEABLE AND PROGRESSIVE ABOUT THE CATEGORY. THEY SEEM TO APPRECIATE THE CATEGORY ADVISOR ROLE THAT RJR OFFERS TO THEIR OPERATION.

STEVE CALLAGHAN HAS ALL THE CHAIN INFORMATIO / FILE, AND SAID HE WILL FOLLOW UP WITH ALLIANCE ENERGY WHILE A DECISION IS MADE AS WHO FROM THE BOSTON REGION WILL HANDLE THIS CHAIN.

IF ANYBODY HAS ANY QUESTIONS, PLEASE CALL.

JIM MALLARDI
ACCOUNT MANAGER
N.Y. CHAIN.

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